

109TH CONGRESS
2D SESSION

H. R. 4945

To amend the Internal Revenue Code of 1986 to encourage new school construction through the creation of a new class of bond.

IN THE HOUSE OF REPRESENTATIVES

MARCH 14, 2006

Ms. LORETTA SANCHEZ of California (for herself, Mr. OWENS, Mr. CASE, Ms. MILLENDER-McDONALD, Ms. JACKSON-LEE of Texas, Ms. LEE, Mr. PAUL, Mr. BOUCHER, Mr. SHERMAN, Mrs. CHRISTENSEN, Ms. ROYBAL-ALLARD, Mr. HONDA, Ms. CORRINE BROWN of Florida, Mr. KUCINICH, and Ms. MCKINNEY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to encourage new school construction through the creation of a new class of bond.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Expand and Rebuild
5 America’s Schools Act of 2006”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

1 (1) The National Center for Education Statis-
2 tics projects that public school enrollment will reach
3 53,000,000 in 2010, an increase of 3,500,000 from
4 the 2003 enrollment level. Many States and school
5 districts will need to build new schools in order to
6 accommodate this increase in student enrollments.

7 (2) In response to reduced class mandates en-
8 forced by State governments and increased enroll-
9 ment, many school districts have been forced to uti-
10 lize temporary classrooms and other structures to
11 accommodate increased school populations, along
12 with resorting to year-round schedules for students.

13 (3) Research has proven a direct correlation be-
14 tween the condition of school facilities and student
15 achievement. Research has shown that students as-
16 signed to schools in poor condition can be expected
17 to fall 10.9 percentage points behind those in build-
18 ings in excellent condition. Similar studies have dem-
19 onstrated up to a 20 percent improvement in test
20 scores when students were moved from a school with
21 poor facilities to a new facility.

22 (4) While school construction and maintenance
23 are primarily a State and local concern, States and
24 communities have not, on their own, met the in-
25 creasing burden of providing acceptable school facili-

1 ties, and the poorest communities have had the
2 greatest difficulty meeting this need.

3 (5) Many local educational agencies have dif-
4 ficulties securing financing for school facility con-
5 struction and renovation, especially in States that
6 require a 2/3 majority of voter approval for the pas-
7 sage of local bond initiatives.

8 (6) The Federal Government, by providing in-
9 terest subsidies and similar types of support, can
10 lower the costs of State and local school infrastruc-
11 ture investment, creating an incentive for businesses
12 to support local school infrastructure improvement
13 efforts.

14 (7) The United States competitive position
15 within the world economy is vulnerable if America's
16 future workforce continues to be educated in schools
17 not equipped for the 21st century. America must do
18 everything in its power to properly educate its people
19 to compete in the global marketplace.

20 **SEC. 3. PURPOSES.**

21 The purposes of this Act are—

22 (1) to encourage public-private partnerships for
23 the financing of school construction and expansion,
24 and

1 (2) to help local educational agencies bring all
 2 public school facilities up to an acceptable standard
 3 and build the additional classrooms needed to edu-
 4 cate the growing number of students who will enroll
 5 in the next decade.

6 **SEC. 4. CREDIT TO HOLDERS OF SCHOOL CONSTRUCTION**
 7 **BONDS.**

8 (a) IN GENERAL.—Subpart B of part IV of sub-
 9 chapter A of chapter 1 of the Internal Revenue Code of
 10 1986 (relating to business-related credits) is amended by
 11 adding at the end the following new section:

12 **“SEC. 30D. CREDIT TO HOLDERS OF SCHOOL CONSTRUC-**
 13 **TION BONDS.**

14 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
 15 gible taxpayer who holds a school construction bond on
 16 the credit allowance date of such bond which occurs during
 17 the taxable year, there shall be allowed as a credit against
 18 the tax imposed by this chapter for such taxable year the
 19 amount determined under subsection (b).

20 “(b) AMOUNT OF CREDIT.—The amount of the credit
 21 determined under this subsection with respect to any
 22 school construction bond is the amount equal to the prod-
 23 uct of—

1 “(1) the credit rate determined by the Sec-
2 retary under section 1397E(b)(2) for the month in
3 which such bond was issued, multiplied by

4 “(2) the face amount of the bond held by the
5 taxpayer on the credit allowance date.

6 “(c) LIMITATION BASED ON AMOUNT OF TAX.—The
7 credit allowed under subsection (a) for any taxable year
8 shall not exceed the excess of—

9 “(1) the sum of the regular tax liability (as de-
10 fined in section 26(b)) plus the tax imposed by sec-
11 tion 55, over

12 “(2) the sum of the credits allowable under this
13 part (other than under this section and subpart C
14 thereof, relating to refundable credits) and section
15 1397E.

16 “(d) SCHOOL CONSTRUCTION BOND.—For purposes
17 of this section—

18 “(1) IN GENERAL.—The term ‘school construc-
19 tion bond’ means any bond issued as part of an
20 issue if—

21 “(A) 95 percent or more of the proceeds of
22 such issue are to be used for a qualified pur-
23 pose with respect to a new qualified school es-
24 tablished by an eligible local education agency,

“(B) the bond is issued by a State or local government within the jurisdiction of which such school is located,

“(C) the issuer—

“(i) designates such bond for purposes of this section,

“(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such school, and

“(iii) certifies that it has the written approval of the eligible local education agency for such bond issuance, and

“(D) the term of each bond which is part of such issue does not exceed the maximum term permitted under section 1397E(d)(3).

“(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

“(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the eligible local education agency that established the qualified school has written commitments from private entities to make qualified contributions having a present value

1 (as of the date of issuance of the issue) of not
2 less than 10 percent of the proceeds of the
3 issue.

4 “(B) QUALIFIED CONTRIBUTIONS.—For
5 purposes of subparagraph (A), the term ‘quali-
6 fied contribution’ means any contribution (of a
7 type and quality acceptable to the eligible local
8 education agency) of—

9 “(i) equipment for use in the qualified
10 school (including state-of-the-art tech-
11 nology and vocational equipment),

12 “(ii) technical assistance in developing
13 curriculum or in training teachers in order
14 to promote appropriate market driven tech-
15 nology in the classroom,

16 “(iii) services of employees as volun-
17 teer mentors,

18 “(iv) internships, field trips, or other
19 educational opportunities outside the
20 school for students, or

21 “(v) any other property or service
22 specified by the eligible local education
23 agency.

24 “(3) QUALIFIED SCHOOL.—

1 “(A) IN GENERAL.—The term ‘qualified
2 school’ means any public school which is estab-
3 lished by and operated under the supervision of
4 an eligible local education agency to provide
5 education or training below the postsecondary
6 level if—

7 “(i) such public school is designed in
8 cooperation with business to enhance the
9 academic curriculum, increase graduation
10 and employment rates, and better prepare
11 students for the rigors of college and the
12 increasingly complex workforce,

13 “(ii) students in such public school
14 will be subject to the same academic stand-
15 ards and assessments as other students
16 educated by the local education agency,

17 “(iii) a well-structured program to al-
18 leviate overcrowding and to improve stu-
19 dents’ education has been constructed and
20 implemented in the opinion of the Sec-
21 retary of Education, and

22 “(iv) at least 2 of the following re-
23 quirements are met:

24 “(I) There is a reasonable expect-
25 tation (as of the date of issuance of

1 the bonds) that at least 35 percent of
2 the population attending such public
3 school will be eligible for free or re-
4 duced-cost lunches under the school
5 lunch program established under the
6 National School Lunch Act.

7 “(II) There is a reasonable ex-
8 pectation (as of the date of issuance
9 of the bonds) that the student growth
10 rate over the next 5 years for the
11 school district in which such public
12 school is to be located will be at least
13 10 percent.

14 “(III) The average student-teach-
15 er ratio for such district as of the
16 date of issuance of the bonds is at
17 least 28 to 1.

18 “(B) ELIGIBLE LOCAL EDUCATION AGEN-
19 CY.—The term ‘eligible local education agency’
20 means any local educational agency as defined
21 in section 14101 of the Elementary and Sec-
22 ondary Education Act of 1965.

23 “(4) QUALIFIED PURPOSE.—

1 “(A) IN GENERAL.—The term ‘qualified
2 purpose’ means, with respect to any qualified
3 school—

4 “(i) constructing a new school facility,
5 and

6 “(ii) providing equipment for use at
7 such facility.

8 “(B) SCHOOL FACILITY.—The term ‘school
9 facility’ means a new public structure suitable
10 for use as a classroom, laboratory, library,
11 media center, or related facility whose primary
12 purpose is the instruction of public elementary
13 or secondary students. Such term does not in-
14 clude an athletic stadium, or any other struc-
15 ture or facility intended primarily for athletic
16 exhibitions, contests, games, or events for which
17 admission is charged to the general public.

18 “(e) LIMITATION ON AMOUNT OF BONDS DES-
19 IGNATED.—

20 “(1) NATIONAL LIMITATION.—There is a na-
21 tional school construction bond limitation for each
22 calendar year. Such limitation is \$400,000,000 for
23 2007 and 2008, and, except for carryovers as pro-
24 vided under the rules applicable under paragraph
25 (4), zero thereafter.

1 “(2) ALLOCATION OF LIMITATION.—The na-
2 tional school construction bond limitation for a cal-
3 endar year shall be allocated by the Secretary among
4 the States on the basis of their respective popu-
5 lations of individuals below the poverty line (as de-
6 fined by the Office of Management and Budget).
7 The limitation amount allocated to a State under the
8 preceding sentence shall be allocated by the Sec-
9 retary of Education to qualified schools within such
10 State.

11 “(3) DESIGNATION SUBJECT TO LIMITATION
12 AMOUNT.—The maximum aggregate face amount of
13 bonds issued during any calendar year which may be
14 designated under subsection (d)(1) with respect to
15 any qualified school shall not exceed the limitation
16 amount allocated to such school under paragraph (2)
17 for such calendar year.

18 “(4) CARRYOVER OF UNUSED LIMITATION.—If
19 for any calendar year—

20 “(A) the limitation amount for any State,
21 exceeds

22 “(B) the amount of bonds issued during
23 such year which are designated under sub-
24 section (d)(1) with respect to qualified schools
25 within such State, the limitation amount for

1 such State for the following calendar year shall
2 be increased by the amount of such excess.

3 “(f) OTHER DEFINITIONS.—The definitions in sub-
4 sections (d)(6) and (f) of section 1397E shall apply for
5 purposes of this section.

6 “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross
7 income includes the amount of the credit allowed to the
8 taxpayer under this section.”

9 (b) CONFORMING AMENDMENT.—The table of sec-
10 tions for subpart B of part IV of subchapter A of chapter
11 1 of such Code is amended by adding at the end the fol-
12 lowing new item:

“Sec. 30D. Credit to holders of school construction bonds.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to obligations issued after Decem-
15 ber 31, 2006.

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